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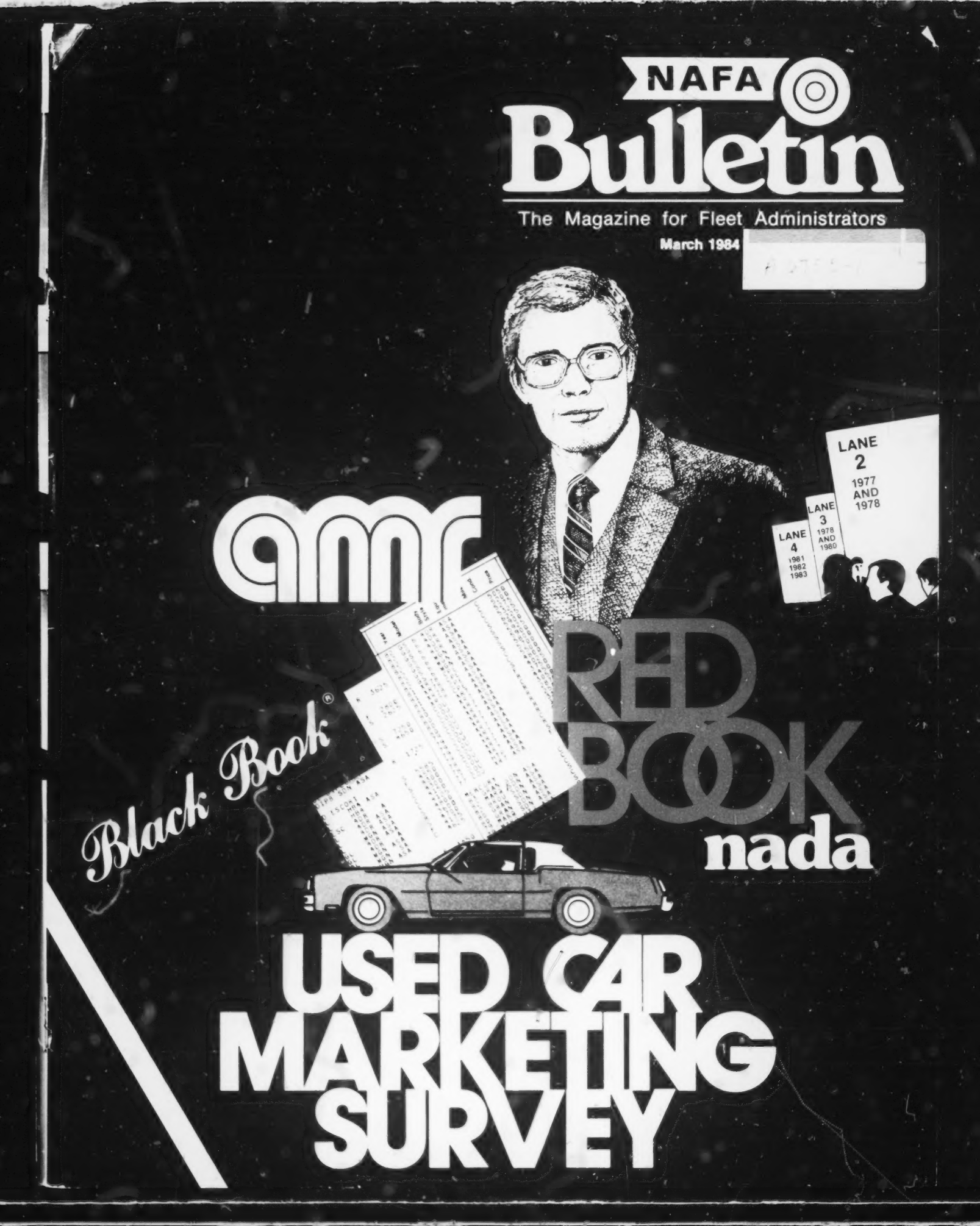
The Magazine for Fleet Administrators
March 1984



USED CAR MARKETING SURVEY

NAFA Bulletin

The Magazine for Fleet Administrators
March 1984

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Used Car Marketing Survey:

Average Service Life 29 months/ to Change

NAFA survey confirms belief that leased cars are kept in service a few months less, driven fewer miles than company-owned vehicles in U.S. Commercial fleets.

NAFA Exclusive

A total of 257 NAFA members responsible for fleets with 166,409 passenger cars participated in the Association's 1983 used car marketing survey. In order to provide a valid appraisal of their vehicle replacement policies and used car marketing methods, the responses are divided into four major segments — U.S. Commercial, Public Utility, Government fleets, and Canadian fleets.

Among the 178 fleets (105,254 passenger cars) in the U.S. commercial fleet segment, the average car is kept in service 29.6 months and driven 56,135 miles before being sold. In 1983, these fleets sold 34.8 percent of their vehicles. A further analysis reveals that leased cars are kept in service 28.4 months and driven 56,668 miles, while company-owned cars are kept 30.5 months and driven 58,039 miles.

Of the cars sold in 1983 by this segment of the market, 32 percent were 1980 model year cars or older; 44 percent were 1981 models; 20 percent were 1982 models, and four percent were 1983 model year cars.

While sales to employees was the most popular used car marketing method reported (30 percent of all sales), wholesalers and auto auctions are increasing their penetration of the market. In 1983 these two marketing methods were up to 29 and 27 percent of all sales respectively. According to the survey, five percent of the fleet cars were sold to used car dealers; eight percent were traded to new car dealers (more by leased fleets than by company-owned fleets), and one percent were sold as "wrecks" or as "salvage." Company-owned fleets sell a higher percentage of their used cars to employees than do leased fleets (37 percent as compared to 24 percent).

The U.S. Public Utility Group (22 respondents, 32,758 vehicles) has the distinction of keeping its cars longer and driving them further than any other group in the survey. The average service life is 71.2 months and 88,684 miles. The U.S. Government Group (27 respondents, 23,070 cars) kept its cars for an average of 52.4 months and 79,066 miles. Among the 30 Canadian fleets with 5,327 vehicles, the average service life was 28.8 months and 87,000 kilometers (53,939 miles).

It is difficult to define a trend in future vehicle cycling policies. Twenty-six U.S. Commercial Fleets said they plan to change their cycle in 1984; 14 reported they would lengthen it (either months or miles driven), while 12 said they were shortening their vehicle life cycles. (For a complete breakdown of the responses to this question, see the chart on page 12.) Eight Canadian fleets said they plan to change their replacement cycles in 1984. Six are increasing either the months in service or miles driven, while two will shorten the cycle.

Canadian Segment

The Canadian segment of the annual used car survey consists of 30 fleets operating 5,327 passenger cars (1,339 company-owned, 3,988 leased).

In 1983, these fleets sold 1,975 cars, approximatley 37 percent of their total vehicles. Twenty-eight percent of the vehicles sold were 1980-model year or older cars; 51 percent were 1981 models; 20 percent were 1982 models, and one percent were 1983 or current year models.

Sixty percent of the used cars were sold to employees; 17 percent were marketed to wholesalers; nine percent went to used car dealers, five

56,000 Miles; Few Fleets Planning Cycle for 1984

percent were sold through auto auctions, and nine percent were traded to new car dealers.

The average service life of Canadian cars sold in 1983 was 28.8 months; they were driven an average of 87,000 kilometers (53,939 miles).

In response to the question who is responsible for the sale of used cars, 14 fleets said both the fleet manager and leasing company shared the responsibility. In 11 fleets it is the sole responsibility of the fleet manager. Two fleets said a fleet management service handled it, while two others said the marketing was done by a corporate field office.

Several methods of determining a price were reported by those fleets who sold vehicles directly to employees. Only two fleets said they didn't sell used cars to employees. In 13 fleets the price is determined by "Black Book" values; four fleets sell the car at book value; while two each said the price is auction value, wholesale, and market value. Other prices mentioned are book value plus $300; half-way between book and market value; wholesale less $300. One fleet reported it bases its price to employees on the "leasing company's suggestion."

Eight fleets in the Canadian group reported they were planning to change their vehicle cycling policy for 1984 and 1985. Six fleets will either increase the months in service or miles driven, while two plan to shorten the replacement cycle. One fleet said it will drop from 36 months/90,000 kilometers to 24 months/60,000 miles; another fleet said it was changing their recyling policy from 36 months to 24 months or 88,000 kilometers.

Among the fleets increasing their service life cycle plan, these changes were indicated: 42 months/99,000 kilometers to 48 months/100,000 kilometers; 80,000 to 85,000 kilometers; 55,000 to 60,000 kilometers; 80,000 to 100,000 kilometers, and 36 to 48 months (two fleets).

At the present time, the vehicle cycle most frequently used is 36 months/100,000 kilometers (62,000 miles). The shortest cycle mentioned was 24 months while the longest was 48 months. Driving range varied from a low of 50,000 kilometers to a high of 100,000 kilometers.

Eight fleets in the Canadian group reported they did some reconditioning of used cars before selling them; 22 fleets reported they sold their vehicles "as is."

U.S. Commercial Fleet Segment

Manufacturing-Industrial Group

The Manufacturing-Industrial Group consists of 30 fleets operating 20,312 passenger cars (15,376 owned, 4,936 leased). In 1983, this group sold 7,505 cars, 36.9 percent of their total vehicles.

Of the cars sold, 35 percent were 1980 models or older; 46 percent were 1981 models; 18 percent were 1982 models, and one percent were 1983 or current year cars.

Forty-four percent of the vehicles marketed during the year were sold to employees; 26 percent went to wholesalers; 28 percent to auto auctions, only one percent were sold to used car dealers, and less than one-half of one percent were traded to new car dealers.

When we asked who is responsible for marketing used cars, eight fleets said it is shared by the fleet manager and the leasing company. In 17 fleets the fleet manager has complete responsibility for the sale of used cars. Two fleets use a management service and three rely exclusively on a leasing company to handle the sale of all used cars. One fleet reported that a "field office" handled the sale of used vehicles.

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Used Car Marketing Survey

(Continued from page 7)

Every fleet in the group allows their employees to buy used cars. Among the methods of determining a price, AMR (Automotive Market Report) and NADA (National Auto Dealers Association) guide books were mentioned most often as the base on which prices were set. Two fleets sell the car to an employee at "market value." Two fleets each mentioned "Black Book" and "Red Book' as their used car price guides. Two other fleets set the price at NADA wholesale minus $200. Other methods of establishing a price to employees mentioned by one fleet each included lease balance, market conditions plus condition report, book value, $250 over residual, bid of at least $300 below Blue Book minimum.

Five fleets in the Manufacturing-Industrial Group said they are planning to change their vehicle cycling policies in 1984. Two fleets plan to increase the car's length of service time or miles driven — one from 25 to 35 months; the other from 50,000 to 55,000 miles. Three fleets are shortening their service life cycles — one is switching from 60,000 miles to annual replacement, another is shifting from a 36-month/65,000-mile cycle to 24-30 months/55,000 miles, while a third is decreasing vehicle usage from 90,000 to 75,000 miles while keeping a 36-month period.

At the present time the replacement cycle most often mentioned is 36 months, 60,000 miles (six fleets). Four fleets reported their current vehicle cycle is 36 months or 55,000 miles, and two fleets said their cars were in service 36 months or 65,000 miles. Three fleets said replacement was based on mileage, 50,000 in two fleets; 60,000 in the other. Only one fleet said it bases its replacement solely on months in service; in that fleet it is 24 months. Other fleets use a combination of time and/or mileage. The shortest cycle mentioned was 24 months or 45,000 miles. The longest cycle reported was 48 months or 75,000 miles.

Nine fleets in the Manufacturing-Industrial Group said they did at least some reconditioning before selling used cars, while 21 fleets sold their cars "as is."

The average length of time in service for all fleets in the group was 28.6 months, with an average of 58,129 miles driven. A sampling of leased cars in the group revealed that they were in service an average of 25 months before being sold, while company-owned cars were kept an average of 29.6 months. Surprisingly, the leased cars were driven further (59,024 miles) in a shorter time span than the company-owned cars (58,025 miles).

Manufacturing-Consumer Group

The Manufacturing-Consumer Group consists of 22 fleets operating 10,635 passenger cars (3,585 company-owned, 7,050 leased). These fleets sold 3,263 cars in 1983, 30.7 of their total number of vehicles. Of the vehicles sold during the year, 26 percent were 1980 or older models; 59 percent were 1981 models; 14 percent were 1982's, and only one percent were 1983 or current year models.

Twenty-eight percent of the cars sold during the year were marketed to employees; 14 percent were sold to wholesalers; 54 percent were sold through auto auctions; three percent were traded to new car dealers, and one percent were sold to used car dealers.

In 10 fleets the responsibility for marketing used cars is shared by the fleet administrator and a leasing company. Seven fleets said the fleet manager has total control of used car sales; three fleets reported the leasing company has full responsibility, and two fleets said they use a management service to handle used car sales.

Six fleets in the group reported the method of determining the used car price for sale to employees is based on AMR. Two fleets each base the price on depreciated book value; wholesale value, and two seek bids from employees. Other methods for establishing the price, mentioned by fleets in the group, included Blue Book plus 10 percent; 1.75 percent depreciation per month; book value; NADA, and Blue Book.

Six fleets reported they are planning to change their 1983 replacement cycle in 1984 and 1985. Three fleets are decreasing the months or miles cars will be kept in service. One fleet is moving from a 70,000-mile replacement to three years and 55,000 miles in 1984, and three years and/or 50,000 miles in 1985. Another fleet is switching from its current cycle of 40 months or 75,000 miles to 36 months or 65,000 miles, while the third, which now replaces cars at 85,000 miles, is switching to a 24 month or 85,000-mile cycle.

Of the three fleets that are increasing their used car cycle, one reports it is moving from 24 months/

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Survey Highlights

	U.S. Commercial Fleet Totals	Representative Leased Fleets	Sample of Owned Fleets
Total Cars in Survey	105,254	19,091	35,352
Cars Sold in 1983	34.8%	33%	34%
Model Year Cars Sold			
1980 or Older	32%	31%	35%
1981	44%	48%	45%
1982	20%	16%	19%
1983	4%	5%	1%
Selling Methods			
To Employees	30%	24%	37%
Wholesalers	29%	33%	30%
Used Car Dealers	5%	3%	1%
Auto Auctions	27%	32%	31%
Trade-In	8%	8%	1%
Other (wreck/salvage)	1%	—	—
Average Months in Service	29.6	28.4	30.5
Average Miles when Sold	56,135	56,668	58,039

Used Car Marketing Survey

(Continued from page 8)

50,000 miles to 36 months or 60,000 miles; one said it is increasing service life from 24 to 36 months, and the third fleet is going from 60,000 to 75,000 miles.

Only three fleets in the Manufacturing-Consumer Group said they recondition their used cars before selling them; 19 sell the cars "as is."

For all the cars in the group sold during 1983, the average service life was 29.4 months; average mileage was 57,680. In comparing leased and owned vehicles in the group, the leased cars were kept an average of 28.5 months, compared to 30.2 months for company-owned vehicles. Average mileage at time of sale was 58,129 for leased cars and 57,271 for owned cars.

Food & Beverage Group

This segment of the survey consists of 23 fleets operating 9,112 passenger cars (6,054 company-owned, 3,058 leased). During 1983 the group sold 2,661 vehicles, 29 percent of its total fleet. Of those vehicles sold in 1983, 32 percent were 1980 or older models; 42 percent were 1981 models; 21 percent were 1982 models, and five percent were 1983 or current year model cars.

The fleets in the group sold 30 percent of their used cars to employees; 23 percent were sold to wholesalers; 34 percent were sold through auto auctions, seven percent were sold to used car dealers, and six percent were traded to new car dealers.

"Among the 178 fleets in the U.S. commercial fleet segment, the average car is kept in service 29.6 months and driven 56,135 miles before being sold. In 1983, these fleets sold 34.8 percent of their vehicles."

In response to the question who is responsible for the sale of used cars, 11 fleets said fleet managers are responsible. The responsibility is shared with a leasing company in seven fleets, and in two fleets each, the sale of used cars is handled exclusively by a leasing company and a fleet management service.

In setting the price for sales to employees, four fleets rely on AMR, while two fleets each said the price is based on wholesale value; book value minus $100; fair market price plus $50, and Black Book value. One fleet each set the price to an employee as net wholesale; depreciation plus $300; bids based on book value, while one fleet uses a "3-bid procedure."

Only four fleets in the group are planning to change their replacement cycle policies. One is shortening the cycle from 100,000 miles to three years or 80,000 miles. The three fleets planning to lengthen their cycles will make these changes for 1984 — from 24 months/50,000 miles to 36 months/60,000 miles; 24 months/40,000 miles to 36 months/50,000 miles, and 50,000 to 65,000 miles.

The present vehicle replacement policies within the Food and Beverage Group vary quite widely. Two fleets are on a 36 months/60,000-mile cycle; two use a 36 month or 50,000 mile program, while two others have a 36 month and/or 55,000-mile replacement policy. The shortest mileage cycle mentioned was 24 months; the longest was 48 months. The highest mileage basis for replacement was 100,000 miles; the shortest was 50,000 miles.

At the present time, only one fleet in the group does any reconditioning of used cars before selling them; 21 sell the cars "as is."

The average months in service for vehicles in the Food & Beverage Group is 29.5; average mileage when sold is 51,976. Among leased fleets in the group, the average mileage is 55,377 with a service life of 28.7 months. For company-owned fleet cars, average service life is 30.1 months at 49,572 miles.

The tabulations for the Food & Beverage Group do not include the response from a 1,000 car company-owned fleet which has a very short replacement cycle and trades all of its used cars. Including that large fleet in the composite picture would have caused a misleading distortion of the responses.

Chemical & Petroleum Group

The Chemical & Petroleum Group consists of 21 fleets operating 14,374 passenger cars (4,583 company-owned, 9,791 leased). During 1983 the fleets in the group sold 5,010 cars, approximately 35 percent of their total number of vehicles. Of those sold in 1983, 36 percent were 1980 or older models; 40 percent were 1981 models; 19 percent were 1982 models, and five percent were 1983 or current year models.

Of the used cars marketed in 1983, these selling methods were used: 18 percent to employees; 54 percent to wholesalers; 21 percent through auto auctions; six percent were traded to new car dealers, and less than one-half of one percent were sold to used car dealers. In addition, one fleet reported it sold a few cars through bids to "outsiders."

In thirteen fleets the fleet manager is responsible for marketing used cars; in three fleets, the fleet administrator and leasing company share the responsibility, and in five fleets a leasing company handles all used car sales.

Two of the 21 fleets in the Chemical & Petroleum Group do not sell used cars to their employees; the other 19 do. In setting the price for a sale to an employee, eight fleets in the group said they use AMR (Automotive Market Report) as their guide. Two fleets use a combination of book value and NADA formula, while two others use the "Blue Book." One fleet each mentioned these methods for setting prices for employee sales: average of wholesale value books; 2.5 percent depreciation per

month for the first year, 1.5 percent thereafter; NADA value; depreciation, and Red Book value.

Three fleets in the group reported that they were planning to change their replacement cycling policies in 1984 or 1985. In two fleets the cycle is being lengthened — from 48 months/60,000 miles to 70,000 miles, and 36 months/60,000 miles to 48 months/75,000 miles. The fleet that plans to shorten its cycle in 1985 will go from 48 months/60,000 miles to 48 months/55,000 miles.

The most frequently mentioned replacement cycle (five fleets) is 36 months/60,000 miles. Two fleets have a 36 month/55,000 mile replacement policy. Three fleets use a "mileage only" policy. In two fleets it is 60,000 miles; in the other is 100,000 miles. One fleet in the group uses "time in service" as the criterion for replacement — 26 months. The shortest cycle in the group is 36 months with a minimum of 35,000 miles. Two fleets are on a 48 months/60,000-mile cycle, while most others are on a 36-month cycle with mileage ranging from a low of 49,000 miles to a high of 100,000 miles. One fleet in the group sets its replacement policy at 60 months or 80,000 miles.

"Of the cars sold in 1983 by the U.S. commercial fleet segment, 32 percent were 1980 model year cars or older; 44 percent were 1981 models; 20 percent were 1982 models, and four percent were 1983 model year cars."

Four fleets in the group reported that they recondition their cars before selling them; 18 said their used cars are sold "as is."

Average months in service for the entire group at time of sale is 31.2 months; with an average mileage of 61,214. A comparison of replacement cycles of leased and company-owned fleets in the group reveals substantial differences. The leased cars are kept in service an average of 29.5 months, compared to 33.5 months for company-owned vehicles. The leased cars are driven an average of 58,439 miles, while company-owned vehicles are driven an average of 64,820 miles before being sold.

Insurance Group

The Insurance Group, participating in the used car survey, consists of 29 fleets operating 21,532 passenger cars (17,203 company-owned, 4,329 leased). The group sold a total of 7,550 cars in 1983. Of the cars that were sold, 40 percent were 1980 or older models; 36 percent were 1981 models; 21 percent 1982 models, and three percent were 1983 or current year models.

In marketing their used cars, the Insurance Group used these methods: 31 percent to employees; 19 percent to wholesalers; 25 percent through auctions; 14 percent were traded to new car dealers, and 11 percent were sold to used car dealers.

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Used Car Marketing Survey

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In 12 fleets marketing used cars is exclusively the responsibility of the fleet administrator. In five fleets it is handled by both the fleet manager and the leasing company. Three fleets said the leasing company handles used car sales and in one fleet the selling is done by a fleet management service. In four fleets the fleet manager and a corporate field office share the responsibility of selling used cars, and in two fleets the operator works with the fleet manager in handling the used car sale.

Four of the 29 fleets reported that they plan to change their replacement cycle policies in 1984. In all four instances, the trend is to shorten the cycle either in miles driven or months in service. Specifically, one fleet is shifting from 48 months/60,000 miles to 48 months/55,000 miles; another with a 48 month/60,000-mile cycle plans to shift to 36 months/55,000 miles. A third fleet whose cycle was four model years is switching to a mileage cycle of 47,000 to 60,000 miles. The fourth fleet, with a current cycle of 30 months/55,000 miles, is switching to a 24 month/50,000 mile policy.

"While sales to employees are the most popular used car marketing method reported, wholesalers and auto auctions are increasing their penetration of the market."

The replacement cycle most frequently used among the Insurance Group fleets is 36 months/60,000 miles (five fleets). Two fleets have a 36 month/55,000 mile replacement policy. Only one fleet in the group replaces its cars solely on a "months in service" basis — 24 months. Three fleets use mileage only as their guide — 55,000 miles in two; 49,000 in the other. All other fleets use a combination of time and/or mileage. The shortest cycle mentioned was 24 months/40,000 miles. The longest was 48 months/75,000 miles.

Every fleet in the group is willing to sell cars to its employees. In 12 fleets the method of determining the used car price is based on AMR. Five fleets base the price to an employee on NADA trade-in. Two fleets each base the price on salvage value and Blue Book value. One fleet each mentioned these bases for employee sales: market reports; between wholesale and retail, Black Book, and "wholesale."

Five fleets, of the 29 in the Insurance Group, recondition their used cars before selling them; 23 sell them "as is."

At the time of sale, the average months in service for the Insurance Group's cars is 31.9; the average odometer reading is 52,534 miles.

Drugs & Cosmetics Group

There are 24 fleets represented in the Drugs & Cosmetics Group. They operate 20,344 passenger cars (2,183 company-owned, 18,161 leased). The fleets in this group sold 7,705 vehicles in 1983, 37.9 percent of their total stock. Twenty-one percent of the cars sold in 1983 were 1980 or older models; 54 percent were 1981 models; 22 percent were 1982 models, and three percent were 1983 model year cars.

In marketing their used cars during 1983, the Drugs & Cosmetics group used these methods: 29 percent to employees; 37 percent to wholesalers; six percent to used car dealers; 23 percent through auto auctions, and five percent were traded to new car dealers.

In 15 of the 23 fleets in the group, used car sales are handled by both the fleet administrator and the leasing company. In two fleets it is the sole responsibility of the leasing company, while in one fleet the job is handled by a fleet management service.

Every fleet in the group is willing to sell its used cars to employees. Ten fleets base the used car price on AMR values. Three fleets base the price on book value, while two others sell the car at "market value." Other bases for determining the price to employees are: (one fleet each) book value plus $300; wholesale value combined with balance of loan; NADA wholesale; Blue Book, Red Book, and market value — condition.

Only one fleet in the group said it plans to change its replacement cycle policy in 1984; it is

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Changes in Replacement Cycling U.S. Commercial Fleets

INCREASES IN MONTHS OR MILEAGE

From	To
24 months/55,000 miles	36 months/60,000 miles
36 months/60,000 miles	36 months/70,000 miles
24 months/50,000 miles	36 months/50,000 miles
36 months/60,000 miles	48 months/75,000 miles
24 months/50,000 miles (2)	36 months/60,000 miles (2)
24 months/40,000 miles	36 months/50,000 miles
24 months/50,000 miles	24 months/65,000 miles
25 months/50,000 miles	35 months/50,000 miles
24 months/55,000 miles	24 months/65,000 miles
48 months/60,000 miles	60,000 to 70,000 miles
60 months/100,000 miles	60 months/125,000 miles
36 months/60,000 miles	36 months/75,000 miles
50,000 miles	55,0000 miles

DECREASES IN MONTHS OR MILEAGE

From	To
48 months/60,000 miles	48 months/55,000 miles
36 months/60,000 miles	24 months/50,000 miles
4 model years	47,000 to 60,000 miles
30 months/55,000 miles	24 months/50,000 miles
48 months/60,000 miles	36 months/55,000 miles
70,000 miles	36 months/55,000 miles
85,000 miles	24 months/85,000 miles
48 months/60,000 miles	48 months/55,000 miles
100,000 miles	36 months/80,000 miles
36 months/90,000 miles	36 months/75,000 miles
60,000 miles	Annual (1 year) replacement
40 months/75,000 miles	36 months/65,000 miles

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switching from 36 months/60,000 miles to 36 months/70,000 miles. The most often used replacement cycle among the group's fleets are 36 months/55,000 miles (five fleets); 36 months/50,000 miles (four fleets), and 24 months/50,000 miles (two fleets). Two fleets in the group base replacement only on miles driven — 45,000 and 55,000 miles. Among the other fleets, three have a 24-month cycle with mileage ranging from a low of 55,000 miles to a high of 75,000 miles. Three other fleets use 36 months as the base with mileage requirements ranging from a low of 45,000 to a high of 75,000 miles.

Three fleets in the group report they do some reconditioning before used cars are sold; 21 fleets sell their cars "as is."

The average service life for cars in this group is 27 months; average mileage at time of sale is 55,282 miles.

Banking-Financial Group

This new grouping in the NAFA survey consists of nine respondents who work for banks and financial institutions. The nine fleets consist of 1,644 passenger cars (1,208 company-owned, 436 leased). The group sold 555 cars in 1983, 34 percent of its total fleet. Of the cars that were sold in 1983, 21 percent were 1980 or older models; 64 percent were 1981 models; 14 percent were 1982 models, and one percent were 1983 or current year models.

In selling their used cars, the Financial Group sold 42 percent to their employees; 30 percent to wholesalers, 21 percent through auto auctions, only five percent to used car dealers and two percent were traded to new car dealers.

The fleet manager handles used car sales in five fleets; in three fleets, the leasing company and the fleet administrator share responsibility for used car marketing, while in one fleet the entire job is turned over to a leasing company.

When selling used cars to their employees, the group uses the following methods in setting the price: three rely on Black Book values; two on NADA guides, and one each cited Blue Book along with a wholesale bid; AMR; Galves wholesale, and fair market value.

All nine fleets in the Financial Group plan to continue with their current replacement cycle in 1984. Two fleets each have these replacement policies: two years/40,000 miles; three years/50,000 miles; 36 months/60,000 miles. One fleet each uses this replacement cycle: 36 months/55,000 miles; 36 months/45,000 miles, and 48 months/75,000 miles.

One fleet in the group reported that it did recondition its cars before offering them on the used car market; eight fleets said they sold their cars "as is."

The Financial Group's cars were kept in service an average of 29.4 months before being sold. At that time they have been driven an average of 50,057 miles.

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Retailing Group

Another new group appearing for the first time in this survey is the Retailing Group consisting of seven fleets operating 1,960 vehicles (293 company-owned, 1,667 leased). The fleets in this group sold 413 cars during 1983, only 21 percent of their total stock. Of the cars that were sold, one-third were 1980 models; 39 percent were 1981 models; 25 percent were 1982 models, and three percent were 1983 or current year models.

The Retailing Group sold 21 percent of its used cars to employees; 21 percent to wholesalers; 56 percent through auto auctions, and two percent were traded to new car dealers. Less than one-half of one percent were sold to used car dealers.

"The U.S. Public Utility Group has the distinction of keeping its cars longer and driving them further than any other group in the survey. The average service life is 71.2 months and 88,684 miles."

The fleet manager handles used car sales in only one fleet; it was a shared responsibility between the fleet administrator and leasing company in three fleets, and the leasing company sells the used cars for three fleets. Company car operators are involved in the sale of used cars in two fleets usually accompanied by the fleet manager.

In setting the price for a used car sold to an employee, two fleets use AMR as their guide. Other fleets use these guidelines: Book value plus $100; wholesale market value; five percent under wholesale; 85 percent of AMR or book value, whichever is higher.

Two of the seven fleets in the Retailing Group said they plan to change their replacement cycle in 1984. One is increasing it from 24 months/55,000 miles to 24 months or 65,000 miles; the other is switching from a 60 month/100,000-mile policy to 60 months and or 125,000 miles. The remaining fleets in the group have these replacement cycles: 45 to 55,000 miles; 58,000 miles; 24 to 30 months; 100,000 miles or condition (economic to drive); 36 to 48 months/65,000 to 80,000 miles.

Every one of the fleets in the group reported that they sold their used cars "as is."

The average length of service for the cars in the group was 30.7 months; average mileage at time of sale was 72,485 miles.

Other

The final group in the U.S. commercial fleet segment of the used car survey consists of 13 fleets that do not fit into any of NAFA's traditional industry classifications. The group includes three newspapers, two educational institutions, and two transportation companies, as well as several other diverse firms.

The 13 fleets in the group operate 4,341 pas-

Survey Summary

Group	Cars In Fleet	Owned	Leased	Sold In 1983	MODEL YEARS 1980	1981	1982
Mfg.-Industrial (30)	20,312	15,376	4,936	7,505	2,329	3,443	1,402
Mfg.-Consumers (22)	10,635	3,585	7,050	3,263	827	1,940	446
Insurance (29)	21,532	17,203	4,329	7,550	2,874	2,747	1,554
Chemical & Petroleum (21)	14,374	4,583	9,791	5,010	1,674	2,005	947
Food & Beverage (23)	9,112	6,054	3,058	3,502	706	1,122	983
Drug & Cosmetics (24)	20,344	2,183	18,161	7,705	1,632	4,131	1,720
Banking (9)	1,644	1,208	436	555	84	354	80
Retailing (7)	1,960	293	1,667	413	135	161	104
Other (13)	4,341	1,827	2,514	1,194	472	368	94
U.S. Commercial (178)	105,254	53,312	51,942	36,697	10,733	16,271	7,330
Public Utility (22)	32,758	28,958	3,800	4,305	456	221	46
Government (27)	23,079	22,679	400	6,408	1,552	481	151
Canada (30)	5,327	1,339	3,988	1,975	507	1,012	398

senger cars (1,827 company-owned, 2,514 leased). The firms in this group sold 1,194 cars during 1983. Of these cars, 59 percent were 1980 or older models; 31 percent were 1981 models; eight percent were 1982 models, and two percent were 1983 or current year models.

Forty-two percent of their used cars were sold to employees; 35 percent went to wholesalers; 21 percent were marketed through auto auctions; two percent were traded to new car dealers, and less than one-half of one percent were sold to used car dealers.

Two fleets in the group do not sell used cars to employees. Of the 11 that do, five fleets reported that the job is handled by both the fleet manager and leasing company; the leasing company is responsible for used car marketing in two fleets, and in four fleets the fleet administrator has the major responsibility for the sale of used cars to employees.

In setting the price for employee sales, five fleets use AMR as their guide; three base their price on NADA values. Other guidelines mentioned include Blue Book vs. condition; highest bid; five percent over NADA wholesale; Galves price list.

Only one fleet in the group reported that it will change its replacement cycle in 1984 — switching from 24 months/55,000 miles to 36 months/60,000 miles.

The other fleets will maintain their current replacement policy. The most frequently mentioned policy was 36 months/60,000 miles (by three fleets). Two fleets in the group base their replacement solely on mileage driven — 55,000 in one; 70,000 in the other. Two fleets have 60-month cycles, one with a 60,000 mile minimum, the other with a 100,000-mile limit.

Two fleets have 48 month and mileage cycles — 80,000 in one fleet; 100,000 in the other. The shortest cycle of any fleet in the group is 24 months/55,000 miles.

Three of the 13 fleets in the group do at least some reconditioning of their cars before selling them; 10 market their used cars "as is."

The cars in this group are kept in service an average of 36.4 months and are driven an average of 70,758 miles before being sold.

Public Utility Group

The Public Utility segment of the used car survey consists of 22 fleets operating 32,758 passenger cars (28,958 company-owned, 3,800 leased).

The fleets in the group sold only 4,305 cars in 1983, 13 percent of their total stock. Of the cars that were sold during the year, 94 percent were 1980 or older models; five percent were 1981 models; one percent were 1982 models, and less than one-half of one percent were 1983 model year cars.

Nearly three-fourths of the used cars were sold through auctions; 13 percent were sold to employees; eight percent were sold to wholesalers, two percent were sold to used car dealers, and three percent were traded to new car dealers.

Thirteen of the 22 public utility fleets are willing to sell used cars to employees; nine do not permit

(Continued on page 18)

Sheet

		SELLING METHODS						
1983	Older	Employee	Wholesale	Used Car	Auto Auction	Trade Ins.	Average Months	Average Miles
56	275	3,195	1,889	52	2,047	3	29.1	58,129
37	13	893	441	35	1,736	106	29.4	57,680
248	127	2,316	1,471	797	1,904	1,061	31.9	52,534
225	159	917	2,708	25	1,045	306	31.2	61,215
549	142	813	603	179	908	999	26.7	47,082
205	17	2,192	2,870	494	1,748	401	27.0	55,282
4	33	235	165	26	129	11	28.5	48,522
13	—	87	87	1	230	8	30.7	72,484
24	236	506	416	4	248	20	36.3	70,574
1,361	1,002	11,154	10,650	1,613	9,945	2,915	29.6	56,134
2	3,580	540	323	83	3,143	165	71.2	88,684
197	4,020	12	—	15	2,354*	4	52.4	79,066
19	39	1,183	334	167	97	184	28.9	87,000 kilometers

*Many government agencies reported that they sold their cars through public auction rather than through a wholesale auto auction or they disposed of them through another agency such as a General Service Agency.

Used Car Marketing Survey

(Continued from page 17)

such sales. One fleet reported it used a fleet management service to handle the marketing of their used cars. In the other fleets it is the responsibility of the fleet manager, but in five fleets a corporate field office also participated in the sale of the used vehicles.

In setting the price of cars sold to employees, six fleets said they use NADA values as a guide; three sold on a basis of high bid. Other methods of setting the price to employees include: "mid-book," residual value of lease, and trade-in value less mileage allowance.

Four public utility fleets said they plan to change their replacement cycle in 1984. In each case the new policy will be to keep cars a shorter period. In one fleet a 36 month/70,000 mile-cycle is being changed to 24 months; a fleet with a 39 month/75,000-mile policy is switching to a 36 month/60,000-mile cycle, the third fleet is moving from a 10 year/100,000-mile policy to five years or 60,000 miles. The fourth fleet is changing its policy of selling cars when they became "unserviceable" to a 60 month/60,000-mile cycle.

Among the fleets that don't plan to revise their replacement policies, three have a 100,000-mile in use program; three others keep vehicles in service for 10 years. Only one fleet has a cycle as short as 36 months/60,000 miles. The majority of the fleets in the public utility group plan to keep vehicles in service a minimum of 60 months.

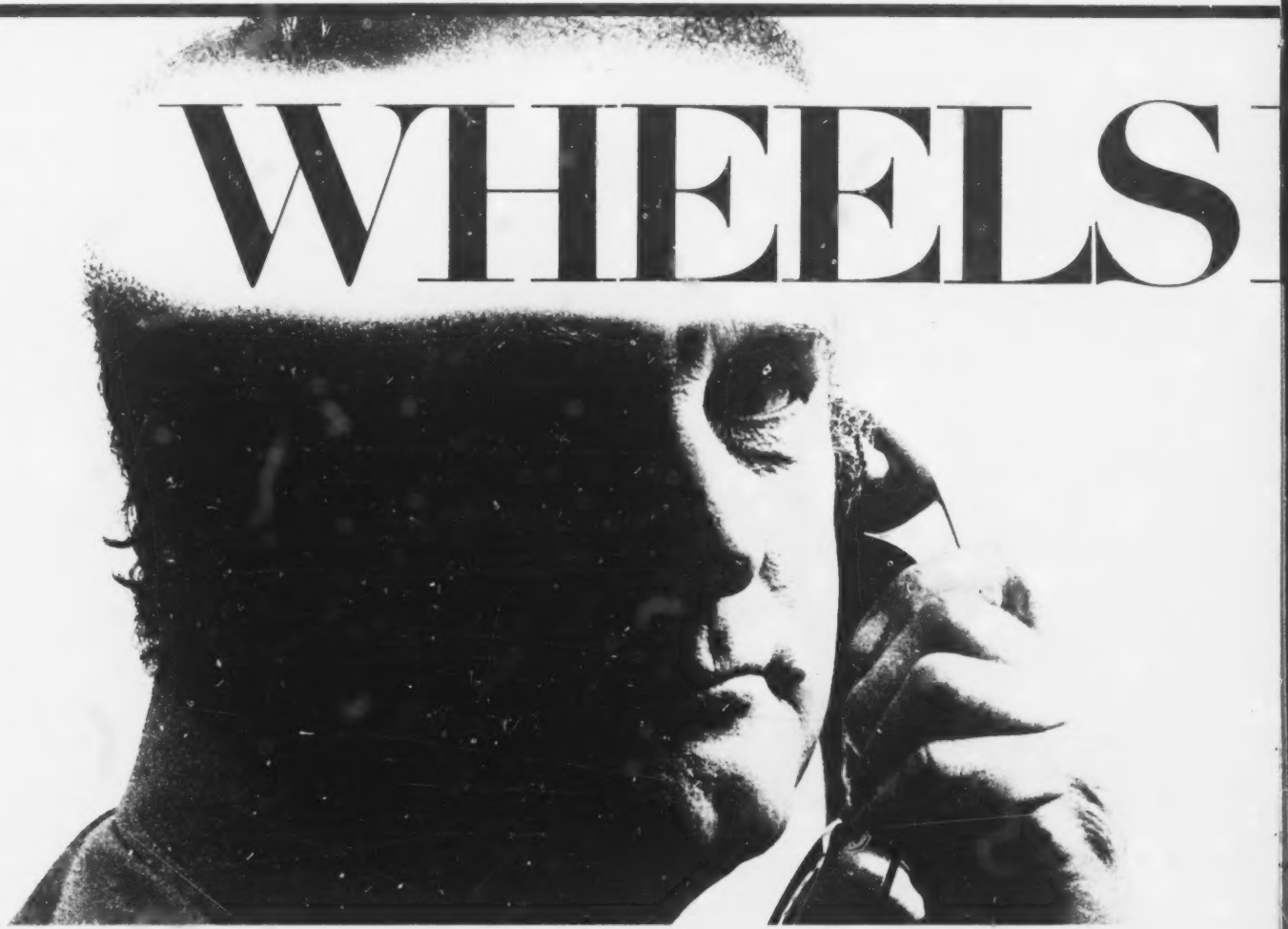
Only one fleet in the group reconditions its vehicles before they are sold; the other 21 fleets sell their vehicles "as is."

The public utility group has the distinction of keeping its cars longer and driving them further than any other segment of the survey. The average service life is 71.2 months at the time of sale, while average mileage is 88,684 miles.

Government

The Government Group consists of 27 fleets operating 23,079 passenger cars (22,679 agency-owned, 400 leased). The government fleets sold 6,408 vehicles in 1983, approximately 28 percent of the total stock.

Of the vehicles sold during the year, 87 percent were 1980 or earlier model cars; 8 percent were 1981 models; two percent were 1982 models, and three percent were 1983 models.



Ninety-eight percent of the government agency cars are sold through auctions. In a majority of the cases, the marketing is done through a public auction required by statute, rather than through a wholesale auto auction. Only one percent of the used cars are sold to government employees, and one percent are sold to used car dealers. One fleet trades a few cars to a new car dealer.

In 21 fleets the responsibility for marketing used cars to agency employees rests with the fleet administrator. Four fleets reported they use a fleet management service (in some cases it was another government agency such as the General Service Agency) that handles the disposition and sets the price. Condition and mileage are primary considerations, and they are the basis for setting an "upset bid price."

Six government fleets reported that they plan to change their replacement cycle in 1984. In five of the fleets, the move is to a longer cycle, while one reported it is going to decrease the service life from 84 months/60,000 miles to 60 months/80,000 miles.

The planned increases in service life cited were: 45 months/48,000 miles to 48 months/60,000 miles; 48 months/65,000 miles to 60 months/75,000 miles; 12 months or 60,000 miles to 18 months in one police fleet; 80,000 to 100,000 miles; 58 months/75,000 miles to 72 months/86,000 miles.

Among the fleets that don't plan to change their replacement policies, the shortest cycle mentioned was 24 months/70,000 miles while the longest was 10 years and 90,000 miles, although several fleets do have a 100,000-mile replacement policy without time limitation. The most frequent cycle for government fleets is 72 months and 60,000 or 70,000 miles.

Eight fleets in the group say they do some reconditioning before selling their used cars; the remainder say they market them in an "as is" condition.

The average service life for the government fleets in this survey was 52 4 months with 79,066 miles on the odometer when the cars were sold. ■

Editor's Note: We apologize for the awkward wording of the final question on the survey and extend our thanks to those members who attempted to provide an answer to an unanswerable question.

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